

REPORT BY THE STATE AUDITOR OF CALIFORNIA

**STATE OF CALIFORNIA
STATEMENT OF SECURITIES ACCOUNTABILITY
OF THE STATE TREASURER'S OFFICE
JUNE 30, 1992**

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CALIFORNIA STATE AUDITOR
BUREAU OF STATE AUDITS

KURT R. SJOBERG
State Auditor

MARIANNE P. EVASHENK
Chief Deputy State Auditor

October 7, 1993

92008R

The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814


Dear Governor and Legislative Leaders:

The Bureau of State Audits presents its financial audit report of the State Treasurer's Office Statement of Securities Accountability as of June 30, 1992.

The Statement of Securities Accountability presents the securities owned by or pledged to the State directly or under investment agreements and securities held for safekeeping. The State Treasurer's Office is responsible for the safekeeping of all securities held in the treasury or other depositories, except for securities owned by or pledged to the University of California, or for securities in other depositories owned by or pledged to the Public Employees' Retirement System, the State Teachers' Retirement System, the Legislators' Retirement System, or Judges' Retirement System. For the Statement of Securities Accountability, the State Treasurer's Office assigns dollar amounts to each security for ease of accountability rather than for purposes of valuing securities to cost or market. The dollar amounts assigned represent the par or face value, the original face value, the original principal value, the current outstanding principal balance, or a nominal value of \$1 per certificate or note. Therefore, the dollar amounts presented in the Statement of Securities Accountability should not be used to determine the value of investments of, or pledged to the State. We found that the statement presents fairly the securities accountability of the State Treasurer's Office as of June 30, 1992.

We conducted this audit to comply with the California Government Code, Section 13299.1.

Respectfully submitted,


KURT R. SJOBERG
State Auditor

REPORT BY THE
CALIFORNIA STATE AUDITOR

Bureau of State Audits

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STATEMENT OF SECURITIES ACCOUNTABILITY
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JUNE 30, 1992

OCTOBER 1993

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INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statement of securities accountability as of June 30, 1992. This statement of securities accountability is the responsibility of the State Treasurer's Office. Our responsibility is to express an opinion on the statement of securities accountability based on our audit.

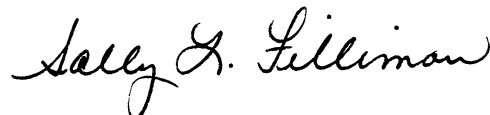
We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the accompanying statement of securities accountability is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of securities accountability. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of securities accountability. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of securities accountability was prepared for the purpose of providing information required by Section 13299.1 of the California Government Code as discussed in Note 1 and is not intended to be a presentation in conformity with generally accepted accounting principles.

In our opinion, the statement of securities accountability referred to above presents fairly, in all material respects, the securities accountability of the State Treasurer's Office as of June 30, 1992, in conformity with the basis of accounting described in Note 1.

This report is intended solely for the purpose of providing information required by Section 13299.1 of the California Government Code and should not be used for any other purpose.

BUREAU OF STATE AUDITS



SALLY L. FILLIMAN, CPA
Deputy State Auditor

Date: August 24, 1993

Staff: Sylvia L. Hensley, CPA, Audit Principal
Karen L. McKenna, CPA

STATE OF CALIFORNIA
STATEMENT OF SECURITIES ACCOUNTABILITY
OF THE STATE TREASURER'S OFFICE
JUNE 30, 1992

<u>Account Title</u>	<u>Securities and Investment Agreements in the Vault of the State Treasurer's Office</u>	<u>Securities on Deposit With Banks and Trust Companies</u>	<u>Total</u>
<u>Pooled Money Investment Account</u>			
Securities (Note 2)	<u>\$ 225,000,000</u>	<u>\$19,349,593,224</u>	<u>\$19,574,593,224</u>
<u>Individual State Investment Accounts</u>			
California Housing Finance Agency	138,304,712	203,153,608	341,458,320
California National Guard		2,276,000	2,276,000
California Pollution Control Financing Authority		25,829,500	25,829,500
California State University Dormitory-Refunding		35,766,700	35,766,700
Central Valley Project Reid Gardner		195,106,700	195,106,700
Central Valley Project Reid Gardner-Refunding		14,940,000	14,940,000
Central Valley Project Water System		230,252,100	230,252,100
Central Valley Project Water System- Series J Escrow		520,893,000	520,893,000
Energy Efficiency Fund	11,935,164		11,935,164
Legislators' Retirement System	9		9
Los Angeles State Office Building Authority	18,559,194		18,559,194
Public Employees' Retirement System	14,251		14,251
Special Deposit Fund-Alice Burch Trust Fund	2,000	18,000	20,000
State Compensation Insurance Fund	222,932,592	5,000,392,476	5,223,325,068
State Controller's Office		220,000	220,000
State Lottery Fund		2,972,545,000	2,972,545,000
State Public Works Board		101,058,000	101,058,000
Toll Bridge Construction Fund	3,646,690	5,029,000	8,675,690
Veterans' Debenture Revenue Fund	45,000,000	78,968,000	123,968,000
Veterans' Farm and Home Building Fund of 1943	391,350,281	51,260,000	442,610,281
Water Resources, Department of		168,434,000	168,434,000
Total Individual State Investment Accounts	<u>831,744,893</u>	<u>9,606,142,084</u>	<u>10,437,886,977</u>

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JUNE 30, 1992

<u>Account Title</u>	<u>Securities and Investment Agreements in the Vault of the State Treasurer's Office</u>	<u>Securities on Deposit With Banks and Trust Companies</u>	<u>Total</u>
<u>Collateral To Secure Deposits in Banks and Savings and Loans</u>			
Agency bank deposits	3,350,000	183,946,840	187,296,840
State Treasurer's Office bond proceeds		69,518,919	69,518,919
State Treasurer's Office demand deposits	59,393,500	627,718,839	687,112,339
State Treasurer's Office time deposits	<u>64,301,135</u>	<u>807,249,540</u>	<u>871,550,675</u>
Total Collateral to Secure Deposits in Banks and Savings and Loans	<u>127,044,635</u>	<u>1,688,434,138</u>	<u>1,815,478,773</u>
<u>Pledges Received by State Agencies</u>			
Consumer Affairs, Department of	17,185,262	13,000	17,198,262
Corporations, Department of	3,102,367		3,102,367
Deposit Officer Pending		180,000	180,000
Employment Development Department	96,536,075	1,797,650	98,333,725
Health Services, Department of	1,000,000		1,000,000
Industrial Relations, Department of	130,569,040	128,299,000	258,868,040
Insurance, Department of	2,993,685,154		2,993,685,154
Real Estate, Department of	2,357,500		2,357,500
State Banking Department	9,778,512	52,150,531	61,929,043
State Lands Commission	5,149,839	60,000	5,209,839
Transportation, Department of	9,907,033	12,777,200	22,684,233
Trustees of California State University	7,972,371	805,000	8,777,371
Water Resources Control Board	882,890		882,890
Water Resources, Department of	<u>135,000</u>		<u>135,000</u>
Total Pledges Received by State Agencies	<u>3,278,261,043</u>	<u>196,082,381</u>	<u>3,474,343,424</u>

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STATEMENT OF SECURITIES ACCOUNTABILITY
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JUNE 30, 1992

<u>Account Title</u>	<u>Securities and Investment Agreements in the Vault of the State Treasurer's Office</u>	<u>Securities on Deposit With Banks and Trust Companies</u>	<u>Total</u>
<u>General Safekeeping</u>			
Alan Gene Whitaker Reimbursement Fund	1		1
Corrections, Department of		1,071	1,071
Developmental Services, Department of	3,423	1,100,000	1,103,423
Education, California Department of	10,622	32,000	42,622
Quimby Island Reclamation District	156		156
Rehabilitation, Department of	9,569		9,569
Secretary of State	10,000		10,000
State Controller's Office	18,454,276		18,454,276
State Treasurer's Office -			
Bearer bonds exchanged for registered bonds	2,881,855,000		2,881,855,000
Trust accounts	98,452,166		98,452,166
Trustees of California State University	<u>3,500</u>		<u>3,500</u>
 Total General Safekeeping	 <u>2,998,798,713</u>	 <u>1,133,071</u>	 <u>2,999,931,784</u>
 Total Securities	 <u>\$7,460,849,284</u>	 <u>\$30,841,384,898</u>	 <u>\$38,302,234,182</u>

The accompanying notes are an integral part of this statement.

NOTES TO THE STATEMENT OF SECURITIES ACCOUNTABILITY

1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying statement of securities accountability was prepared for the purpose of providing information required by Section 13299.1 of the California Government Code. This statement presents the securities owned by or pledged to the State directly or under investment agreements and those securities held for safekeeping. The State Treasurer's Office (STO) must account for all securities held in the treasury or other depositories, except for securities owned by or pledged to the University of California or for securities in other depositories owned by or pledged to the Public Employees' Retirement System, the State Teachers' Retirement System, the Legislators' Retirement System, or the Judges' Retirement System. The securities for which the STO is accountable are categorized as follows:

- Pooled Money Investment Account (PMIA) securities consist of investments with financial institutions. The investments are purchased with available money from various funding sources. The California Government Code, Section 16480.1, authorizes the State's Pooled Money Investment Board to designate the amount of available money to make such investments. In addition, Section 16480.2 expresses the intent that such investments realize the maximum return consistent with safe and prudent treasury management. Earnings on the PMIA securities are credited to the State's General Fund, the Surplus Money Investment Fund, the Local Agency Investment Fund, the Fish and Game Preservation Fund, the Public Employees' Retirement Fund, and the State Teachers' Retirement Fund.
- Individual state investment accounts consist of investments with financial institutions that are not invested through the PMIA.
- Collateral to secure deposits in banks and savings and loan associations consists of securities pledged by these institutions to protect the money that the State has on deposit with the institutions.
- Pledges received by state agencies consist of securities pledged to the State by certain businesses to protect consumers, to guarantee contractor performance, and to ensure payment of obligations such as disability benefits and state taxes.

- General safekeeping amounts consist of securities held on behalf of state agencies or other organizations.

B. Valuation of Securities

In the accompanying statement of securities accountability, the STO does not report securities at either book value or market value in accordance with generally accepted accounting principles. Instead, the STO values securities as follows:

Securities and Investment Agreements in the Vault of the State Treasurer's Office:

- Bonds, commercial paper, certificates of deposit, and surety bonds are valued at par value or face value.
- Stock certificates are valued at \$1 per share.
- Government National Mortgage Association certificates, Federal National Mortgage Association certificates, and Federal Home Loan Mortgage Corporation certificates are valued at their current outstanding principal balances.
- Real estate mortgage notes held as investments of individual state accounts are valued at \$1 per note.
- Real estate mortgage notes held as pledges to secure bank and savings and loan deposits are valued at their original principal balances.

Securities on Deposit With Banks and Trust Companies

- Bonds, commercial paper, certificates of deposit, surety bonds, Federal National Mortgage Association certificates (except participation certificates), and Federal Home Loan Mortgage Corporation certificates (except participation certificates) are valued at par value or face value.
- Federal National Mortgage Association participation certificates and Federal Home Loan Mortgage Corporation participation certificates are valued at their current outstanding principal balances.
- Government National Mortgage Association physical certificates are valued at original face value.
- Government National Mortgage Association book entry certificates are valued at their current outstanding principal balances.

- Real estate mortgage notes held as pledges to secure bank and savings and loan deposits are valued at their original principal balances.
- Real estate mortgage notes held as pledges to secure the court and private trusts of banks and savings and loans are valued at their current outstanding principal balances.

2. Pooled Money Investment Account - Securities

The STO reported a total value of \$19,574,593,224 for the securities in the PMIA at June 30, 1992. In its statement of cash accountability for June 30, 1992, the STO reported a total value of \$19,151,369,032 for these same securities. The difference between the two values results because the STO valued the PMIA securities in the statement of securities accountability according to the methods described in Note 1.B., but it valued the same securities at book value for the statement of cash accountability.

3. Personal Property

In addition to depositing securities, state agencies deposit personal property in the vault of the STO. The following table lists entities having personal property in the vault as of June 30, 1992:

<u>Entity</u>	<u>Number of items</u>
Deposit Officer Pending	101
Developmental Services, Department of	104
Emergency Stock - Trust Agency Checks	37,752
Housing and Community Development, Department of	3
Motor Vehicles, Department of	2,752
Personnel Administration, Department of	1
State Controller's Office	907
State Treasurer's Office	<u>17,005</u>
Total	<u><u>58,625</u></u>

Each item or sealed package of personal property is counted individually. However, because personal property items are not securities, they are excluded from the statement of securities accountability.

cc: Members of the Legislature
 Office of the Lieutenant Governor
 State Controller
 Legislative Analyst
 Assembly Office of Research
 Senate Office of Research
 Assembly Majority/Minority Consultants
 Senate Majority/Minority Consultants
 Capitol Press Corps